

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 PM-07 NSC-07 SP-03 SS-20 RSC-01 CIAE-00

INR-11 NSAE-00 PRS-01 AID-20 L-03 EB-11 OMB-01 DRC-01

IGA-02 /103 W

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R 301040Z SEP 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 4664

SECDEF WASHDC

INFO CINCPAC HONOLULU HI

AMEMBASSY CANBERRA

JCS WASHDC

AMEMBASSY BANGKOK

AMEMBASSY PHNOMM PENH

AMEMBASSY SAIGON

S E C R E T SECTION 1 OF 2 JAKARTA 12125

BANGKOK FOR DEPSEC PARTY

EO 11652: GDS

TAGS: OVIP (DEPSECDEF CLEMENTS) ID

SUBJ: DEPSECDEF MEETING WITH DEFENSE MINISTER

GENERAL PANGGABEAN

1. INITIAL PORTION OF CALL ON GENERAL PANGGABEAN SEPTEMBER 30
DEALT MAINLY WITH TWO SUBJECTS: US AID TO INDOCHINA.

2. GENERAL PANGGABEAN, ACCOMPANIED BY GENERALS SURONO(DEPLUTY
CINC ARMED FORCES) AND HABIB(DEFENSE PLANNER) OPENED BY COMPLAIN-
ING THAT US DID NOT UNDERSTAND THAT INDONESIA WAS DIFFERENT FROM
ARAB OIL PRODUCING STATES (PER CAPITA INCOME \$120 VICE \$2000)
AND ITS NEEDS STILL GREAT. INDONESIA DISAPPOINTED THAT
US CUTTING BACK ON MILITARY AID. INDONESIA
CONSIDERED THAT US DID NOT ACCORD HIGH ENOUGH PRIORITY
TO INDONESIA, PARTICULARLY WHEN ONE CONSIDERED LARGE
SUMS BEING GIVEN TO VIETNAM AND CAMBODIA. IF INDOCHINA

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WENT TO COMMUNISTS, INDONESIA WOULD BE VULNERABLE. IT

WOULD BE BETTER TO MAKE INDONESIA STRONG NOW RATHER THAN WAITING UNTIL IT IS TOO LATE. INDONESIA ATTACHES "IMPORTANCE" TO SELF-RELIANCE AND WILL GO AHEAD WHATEVER HAPPENS TO US AID, BUT US EQUIPMENT, EXPERTISE AND HELP REMAIN HIGHLY IMPORTANT,

3. SECRETARY REPLIED USG ATTACHES GREAT IMPORTANCE TO INDONESIA AND WANTED TO MAINTAIN RELATIONSHIP. FEELING WAS STRONG IN CONGRESS ON OIL PRICE QUESTION AND, ALTHOUGH DIFFERENT NATURE INDONESIA RECOGNIZED, CONGRESS MAY NOT CONTINUE GRANT AID. US WOULD, IF THIS HAPPENED, HOPE TO CONTINUE TO HELP THROUGH FMS CREDITS AND SALES OF EQUIPMENT OUT OF INVENTORY AT SPECIAL PRICES SUCH AS DE SALES. WE LOOK FOR PERHAPS LARGER RATHER THAN SMALL RELATIONSHIP IN FUTURE AND ARE PREPARED TO ASSIGN SPECIALISTS TO DLG STAFF TO MAKE STUDIES, IF GOI WISHES, OF AREAS SUCH AS SEA SURVEILLANCE, COMMUNICATIONS AND TRANSPORT WHERE US EQUIPMENT AND ADVISE CAN BE HELPFUL.

4. TURING TO INDOCHINA, DEPSECDEF SAID AMOUNTS PROVIDED TO VIET NAM AND CAMBODIA COULD NOT BE COMPARED SINCE THESE TWO COUNTRIES WERE FIGHTING FOR THEIR LIVES. HE ASKED IF INDONESIA COULD NOT HELP.

5. GENERAL PANGGABEAN SAID INDONESIA HELP ALREADY GIVEN TO KHMER THROUGH TRAINING AND EQUIPMENT BUT PROBLEM WAS THAT KHMER AND VIETNAM DID NOT TAKE INDONESIAN ADVICE. INDONESIA FELT MORE EFFORT SHOULD BE MADE IN BOTH COUNTRIES TO WIN POPULATION OVER TO LEADERSHIP, USING TECHNIQUES THAT INDONESIA ITSELF HAD USED IN ITS OWN EXPERIENCE WITH THE COMMUNISTS. BOTH GENERAL HASAN HABIB AND GENERAL MURDANI (DEF INT CHIEF) GAVE GENERALLY GLOOMY APPRAISALS OF SITUATION ON VIETNAM, PARTICULARLY FEELING THAT THERE HAD RECENTLY BEEN PSYCHOLOGICAL DETERIORATION, BUT AGREED SITUATION IN CAMBODIA NOT HOPELESS. RETURN OF LON NOL'S BROTHER, HOWEVER, UNFAVORABLE DEVELOPMENT.

6. AT THIS POINT GROUP ADJOURNED TO LARGER MEETING,
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WHICH OPENED WITH PRESENTATION OF "PROGRESS REPORT" BY HASAN HABIB IN WHICH HE OUTLINED DEFENSE DEPARTMENT'S PLANNING FOR FY 1974-78 CONSISTING OF FORCE PROGRAM, FORCE RELATED PROGRAM, AND NATIONAL DEFENSE AND SECURITY INFRASTRUCTURE PROGRAM TO COST A TOTAL OF \$1.8 BILLION OVER FIVE-YEAR PERIOD. DURING DETAILED PRESENTATION THESE PROGRAMS (MEMCON BEING POUCHED), HASAN HABIB STRESSED NEED TO AIR MOBILITY, SEALIFT CAPABILITY,

COMMUNICATIONS AND UPGRADING OF MILITARY INDUSTRIES
AND REHABILITATION FACILITIES.

7. AGAINST FIVE YEAR \$1.8 BILLION REQUIREMENT, MILITARY
DEVELOPMENT BUDGET FOR FY 74 IS \$125 MILLION AT WHICH
RATE THERE WILLBE APPROXIMATELY 50 PERCENT SHORTFALL
OVER FIVE YEAR PERIOD. IN RESPONSE TO QUESTION, HASAN
HABIB ADMITTED THAT EFFECTS OF POST APRIL OIL PRICE
INCREASES AND LIKELY ENLARGED BUDGET NOT FACTORED IN,
BUT DISCOUNTED THESE AS NOT SURE OR PERMANENT. HASAN
HABIB SAID FY 74 MILITARY BUDGET (\$568.8 MILLION ROUTINE PLUS
\$125 MILLION DEVELOPMENT) WAS ABOUT 20 PERCENT OF STATE
BUDGET AND 4 PERCENT OF GNP-AND THAT THESE PERCENTAGES
NOT LIKELY TO RISE IN FUTURE YEARS IN VIEW OF ECONOMIC
DEVELOPMENT PRIORITIES.

8. NOTING PRESIDENTIAL LEVEL AGREEMENT TO \$25 MILLION
MAP THROUGH FY 78, HASAN HABIB OUTLINED ANNUAL
SHORTFALLS TO DATE, AND EXPRESSED AWARENESS THAT
GRANT ASSISTANCE OF PLANNED MAGNITUDE UNLIKELY IN
FUTURE. HE STATED T T TO TRY TO MEET NEEDS INDONESIAN DEFENSE
DEPARTMENT A) HAS OBTAINED AUSTRALIAN ASSISTANCE IN
AMOUNT OF \$A20 MILLION FOR FY 72-74 AND B) IS
PREPARED TO USE FMS. THE \$3.5 MILLION CREDIT IN FY 74
WAS USED FOR C-130B AND PRC 77 RADIOS WHLE GOI HAS
CONTRACTED FOR CASH PURCHASE OF OV-10 SQUADRON FOR
\$20 MILLION AND PLANS TO PURCHASE UH-1 HELICOPTERS
(NOT YET DECIDED WHETHER UH-1H OR UH-1N). HASAN
HABIB DID NOT SPECIFY WHETHER HE THINKING IN TERMS FMS
CASH OR CREDIT FOR UH-1. HOWEVER, IN VIEW CONTINUED
BUDGETARY LIMITATIONS INDONESIAN DEFENSE DEPT STILL HOPES
FOR CONTINUED GRANT US MAP, AT LEAST THROUGH FY 78.

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DRC-01 /103 W

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R 301040Z SEP 74

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 4665
SECDEF WASHDC
INFO CINCPAC HONOLULU HI
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BANGKOK FOR DEPSEC PARTY

9. FOLLOWING HASAN HABIB'S PRESENTATION, PANGGABEAN SAID THAT TO PREPARE FOR 1977 PARLIAMENTARY ELECTIONS, EHEN ARMED FORCES MUST BE READY FOR "ANY POSSIBILITY," GOI HAS HAD TO CHANGE PROCUREMENT PRIORITY. IN THIS REGARD IT URGENT THAT THE OV-10 BE IN INDONSIA BY END OF 1975 OR EARLY 1976 AT LATEST. PANGGABEAN ADDED THAT INDONESIA WANTS TO BUY 16 OV-10, ALTHOUGH TO DATE IT HAS ONLY CONTRACTED FOR 12. (16 WAS THE ORIGINAL FIGURE WHICH WAS LATER CUT TO 12) PANGGABEAN ALSO COMMENTED THAT DEFENSE DEPARTMENT MUST IN NEAR FUTURE IMPROVE WELFARE OF POORLY PAID AVERAGE SOLDIER, SINCE THERE WILL BE "DIFFICULTIES" IF THERE NO SUCH IMPROVEMENT.

10. DEPSECDEF, AFTER PRAISING HASAN HABIB'S PRESENTATION, AND INDONESIA BALANCE OF ECONOMIC AND MILITARY PRIORTIES, STATED THAT US POLICIES-INCLUDING IMPORTANCE WE PLACE ON SECURITY SOUTHEAST ASIA MIDEAST AND INDONIAN OCEAN-REMAINED
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THE SAME FOLLOWING TRANSITION FROM NIXON TO FORD ADMINISTRATION. MR CLEMENTS NOTED WITH SATISFACTION EARLIER CONVERSATIONS WITH SENIOR GOI OFFICIALS IN WHICH LATTER STATED INDONESIA UNDERSTANDS REASON FOR DIEGO GARCIA BUILDUP BUT FINDS IT POLITCALLY IMPOSSIBLE TO OFFER OVERT SUPPORT. HE ADDED THAT AUSTRALIAN DEFENSE MINISTER BARNARD HAS TAKEN A SIMILAR POSITION IN RECENT TALKS IN WASHINGTON.

11. DEPSECDEF SAID US CONTINUING TO DO ALL IT CAN UNDER LAW IN CAMBODIA AND WOULD GIVE SOME \$400 MLLION THIS YEAR TO GKR FOR AMMUNITION AND OTHER REQUIREMENTS. PANGGABEAN NOTED GKR WISHES TO DEVELOP A SPECIAL BRIGADE (NOTE: USING GKR OFFICERS TRAINING IN INDONESIA) AND ASKED US FINANCIAL ASSISTANCE. MR CLEMENTS TOOK NOTE OF REQUEST, EXPRESSING DOUBT AS TO OUR ABILITY FIT ANYTHING MOREIN TIGHT BUDGET, UNLESS IT GIVEN VERY

HIGH PRIORITY BY GRK.

12. TURNING TO VIET NAM, MR CLEMENTS SAID CONGRESS ONLY PROVIDED \$700 MILLION AGAINST \$1.4 BILLION REQUEST. HE HOPED IN SOME WAY TO GET MORE. HE NOTED SITUATION SERIOUS WITH CASUALTIES RUNNING 500 WEEK. IN LAOS CEASEFIRE WORKING FAIRLY WELL, BUT NO EVIDENCE THAT 30-40,000 NORTH VIETNAMESE BEING PULLED OUT. RETURNING TO CAMBODIA, MR CLEMENTS SAID HE HOPED THERE MIGHT BE SOME COMPROMISE SUCH AS ALONG LAO FORMULA. THROUGHOUT DISCUSSION OF INDOCHINA, DEPSECDEF STRESSED IMPORTANCE OF SUPPORT OF SEA NATIONS-PARTICULARLY INDONESIA-ADDEING THAT US CONGRESS WONDERS WHY THERE NO GREATER SUPPORT FOR INDOCHINA COUNTRIES BY OTHER SEA NATIONS.

13. IN BILATERAL SPHERE, DEPSECDEF STATED THERE "NO REASON WE CANNOT HELP", IN SOME WAY WITH AIR MOBILITY AND SEALIFT, ALTHOUGH FORM, AMOUNTS, AND TIME FRAME WOULD BE MATTER FOR DISCUSSION BETWEEN GOI, EMBASSY AND WASHINGTON. US ASSISTANCE MIGHT NOT TAKE FORM OF GRANT AID, BUT RATHER MIGHT FOLLOW FORM OF FMS SALES ALONG LINE OF DE'S AND C-130B, WITH SPECIAL ARRANGEMENTS FOR PRICES AND TERMS. MR CLEMENTS SAID HE HOPED WE COULD
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CONTINUE GRANT ASSISTANCE FOR ONE OR TWO MORE YEARS, ALTHOUGH THIS A VERY SENSITIVE MATTER WITH CONGRESS. HE SAID US MORE THAN PLEASED TO SEND TECHNICAL TEAMS FOR PROJECTS OF INTEREST TO INDONESIA SUCH AS INFRASTRUCTURE RADAR, AIR DEFENSE, AIRCRAFT INTERCEPTION, ROTC EDUCATION, COMMAND AND CONTROL (MR CLEMENTS NOTED HE IS VERY FAMILIAR WITH WWMCCS PROGRAM) DATA BANK FOR LOGISTICS, SYSTEMS ANALYSIS, ETC. HOWEVER, WE DO NOT WISH TO "PUSH OURSELVES" AND WOULD PREFER GOI TO TELL US WHAT THEY FEEL THEY NEED SO THAT WE CAN MAKE SUCH EXPERTISE AVAILABLE, SINCE IN FINAL ANALYSIS CHOICE IS UP TO GOI.

14. MEETING CLOSED WITH PANGGABEAN EXPRESSING THANKS FOR POSITION TAKEN BY MR CLEMENTS, ADDING THAT IN HIS VIEW US ASSISTANCE TO INDONESIA OF BENEFIT TO BOTH COUNTRIES.
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